

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON FINANCE

Call to Order: By **CHAIRMAN BOB KEENAN**, on February 5, 2001 at 5:00 P.M., in Room 303 Capitol.

ROLL CALL

Members Present:

Sen. Bob Keenan, Chairman (R)
Sen. Ken Miller, Vice Chairman (R)
Sen. Tom A. Beck (R)
Sen. Chris Christiaens (D)
Sen. John Cobb (R)
Sen. William Crismore (R)
Sen. Greg Jergeson (D)
Sen. Royal Johnson (R)
Sen. Bea McCarthy (D)
Sen. Linda Nelson (D)
Sen. Corey Stapleton (R)
Sen. Mignon Waterman (D)
Sen. Jack Wells (R)
Sen. Tom Zook (R)

Members Excused: Sen. Arnie Mohl (R)
Sen. Debbie Shea (D)
Sen. Bill Tash (R)
Sen. Jon Tester (D)

Members Absent: None.

Staff Present: Prudence Gildroy, Committee Secretary
Jon Moe, Legislative Fiscal Division

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 191, 2/4/2001; SB 332,
2/4/2001; SB 381, 2/4/2001
Executive Action: SB 191; SB 244

{Tape : 1; Side : A}

HEARING ON SB 191

Sponsor: Bob DePratu, SD 40, Whitefish

Proponents: Dean Roberts, Administrator Motor Vehicle
Division, Department of Justice

Opponents: None.

Opening Statement by Sponsor:

Bob DePratu, SD 40, Whitefish, opened on SB 191, a bill for generic specialty license plates. The bill was discussed in other committees and there was some concern about the fiscal note. The fiscal note is for programming that would take place if the bill takes effect. Once the bill goes to the house, it will be a revenue enhancer. There will be a new appropriation for a new machine to make generic license plates.

Proponents' Testimony:

Dean Roberts, Administrator Motor Vehicle Division, Department of Justice, explained the fiscal note. It will include a \$1200 fee for 400 sets of plates. Once the generic specialty license plates are available, the cost per set of plates is \$10. Part of the fee would be deposited in the county general fund to compensate county treasurers, \$8 would go to the general fund with \$5 of that amount would be allocated to the Department of Corrections (DOC).

EXHIBIT (fcs29a01)

The DOC has determined that a roll of material from the contractor 3M now costs \$1500. There is enough money to pay for the plates themselves. It is anticipated that the Lewis and Clark Centennial plate would fall under this generic plate statute, along with any group that met the standards, i.e. the Boy Scouts. It is also anticipated that about 70,000 sets of plates will be sold in the biennium, generating \$350,000 for the DOC based on the \$10 fee in the bill. About \$210,000 would go to the state general fund. The only item on the fiscal note is the \$26,000 for DOJ programming costs. This bill is a bargain because every time a specialty license plate goes through this session, there is a separate programming cost. If this bill passes this session, there is just a one-time programming cost for all specialty license plates. There will be more than adequate money generated to be able to pay the \$26,000 worth of programming.

CHAIRMAN BOB KEENAN explained that this is more of an informational hearing to clear up the fiscal note. It appeared

that the original fiscal note had some one-time costs that will be more than made up over the long haul and the next fiscal note will reflect that.

Opponents' Testimony: None.

Questions from Committee Members and Responses: None.

Closing by Sponsor:

SEN. DePRAU closed on SB 191.

HEARING ON SB 332

Sponsor: SEN. MIGNON WATERMAN, SD 26, Helena

Proponents: Briana Kirstein, Montana People's Action
Sharon Hoff-Brodowy, Montana Catholic Conference
Steve Yeakel, Montana Council for Maternal and
Child Health
Bonnie Adey, Mental Health Ombudsman
Carol Bondy, HHS

Opponents: None.

Opening Statement by Sponsor:

SEN. MIGNON WATERMAN, SD 26, Helena, said that there have been at least two different fiscal notes on this bill. She indicated that this was the primary hearing on the bill, so the committee would make both a policy and a fiscal decision. She hoped that the committee would not act on the bill until a fiscal note is completed. SB 332 will remove the resource test (assets test) for poverty level programs in the state. There is an amendment for the bill that brings the bill into compliance with her original intention for the bill. The amendment will affect the fiscal note, which will mean an added fiscal note. SB 332 is a good government bill. Governor Martz has a goal to reduce paperwork and bureaucracy in the state and make government work better. The goal of SB 332 is to make one single, simpler application for health insurance benefits. The stumbling block is the assets test. The new test that the interim committee created is simpler, but without the assets test, there could be a four page application. Paperwork cuts into the time that caseworkers can work with clients. Even with reductions in the amount of applicants after welfare reform, there still has been no reductions in staff due to the amount of paperwork. Montana is one of six states in the nation that still has a resource assets test. The fiscal note for the bill is a moving target.

The bill only applies for programs for infants and pregnant women because that is the only place in Montana statutes where a resource test is required. When this bill was being prepared, it became clear that the bill was trying to eliminate something that was not covered in statute or rule. The assets test is set up in the Medicaid plan. There will be an amendment that eliminates assets tests for all poverty level programs, not just those in statute or rules. Medicaid is a categorical program. Other states have found that assets tests were a hindrance to good government. They eliminated the tests to save money and paperwork and to cover more of the uninsured. That is where the fiscal note comes in. The assets test and face to face meeting complicate the system and do not accomplish much. There is a poverty level cap (less than 133% of poverty) in the bill. The bill deals with low income and working Montanans. The assets test disqualifies those with more than one vehicle or home regardless of value. Many of the bankruptcies in Montana are medical bankruptcies. About 1500 children would be covered under this bill, some of whom are on CHIP. The Subcommittee on Human Services decided to leave the eligibility standard for CHIP at 150% of poverty and eliminate the assets test, instead of expanding the CHIP to 160% of poverty. That will allow people to shift to Medicaid and will open up 500 to 700 slots within CHIP for new people. The cost for this bill is that it will essentially provide insurance for working Montanans. The Subcommittee on Human Services identified a source of funding by not raising the eligibility standard for CHIP and also another possibility for funding. The subcommittee voted unanimously to fund the removal of the assets test. **SEN. WATERMAN** advised that the fiscal note and some final numbers from the subcommittee are needed before acting on the bill.

Proponents' Testimony:

Briana Kirstein, Montana People's Action, a large grassroots organization of low income families, supported SB 332. **Ms. Kirstein** shared some examples of how the assets test is a barrier for families. It is not a way to prevent fraud, but a way to prevent families from accessing care. The goal of programs is to get kids health insurance. The goal should not be to keep families mired in so much red tape that they can't access the programs they need. The organization also supports expanding the CHIP program along with removing the assets test.

Sharon Hoff-Brodowy, Montana Catholic Conference, urged the committee to support SB 332.

Steve Yeakel, Montana Council for Maternal and Child Health, offered to supply the committee with more information. He stated

that this type of legislation is a national priority for a number of professional organizations that are working on making insurance more available to a broad number of people across the state and nation. He strongly supported the bill and committed to working with the committee to take reasonable steps to provide efficient services to people who really need it.

Bonnie Adee, Mental Health Ombudsman, testified that SB 332 is a good government bill, which would streamline the process of applying for services for qualified individuals. SB 332 provides a safety net for poverty level people.

{Tape : 1; Side : B}

She urged support for the bill.

Colleen Murphy, Montana Chapter of the National Association of Social Workers, stood in support of SB 332.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SEN. TOM ZOOK questioned how eligibility would be judged without an assets test. **SEN. WATERMAN** replied that people were being screened out for the wrong reasons, such as owning more than one broken down car. When people make below 133% of poverty, they have no real assets. There is a need to streamline the process. Previous legislatures eliminated limitations on the values of houses and cars. There were concerns that there would be abuses. That hasn't happened. If the assets test is removed, it would qualify 2 working people with 2 old cars--not people that have \$100,000 in assets. The process is currently too complicated, with too many state employees shuffling paper. **SEN. ZOOK** expressed concern that there be some contact with the individuals to determine if they are at poverty level. **SEN. WATERMAN** replied that individuals would still have to meet the criteria. There are 12 pages in the CHIP application concerning assets. Four pages have the information that is really needed to be qualified or disqualified for the program. **SEN. ZOOK** stated that it was unfortunate that common sense could not be applied to the situation. He was also concerned about people turning 23 years old who are no longer covered by their parent's health insurance. The income of a 23-year old does not support purchasing health insurance. **SEN. WATERMAN** said the bill does not solve the problem of the uninsured in Montana. For some individuals with children, it does.

SEN. LINDA NELSON asked what poverty level is in Montana at this time. **SEN. WATERMAN** replied that it depended on the size of the family. **CHAIRMAN KEENAN** said for a family of four it is \$16,300.

Hank Hudson, Department of Public Health and Human Services, said the figure was \$17,000 for a family of four.

SEN. ZOOK asked if the level of poverty varied, depending on the program. **SEN. WATERMAN** replied that the poverty level doesn't vary, but the percent of poverty level varies.

SEN. CHRIS CHRISTIAENS asked how many people may qualify for programs with the removal of the assets test. **SEN. WATERMAN** stated that is one of the debates that is holding up the fiscal note. There are some assumptions but they are moving targets. There are currently 250 children enrolled in the CHIP mental health program that might be Medicaid eligible with the removal of the assets test.

Closing by Sponsor:

SEN. WATERMAN again stated that SB 332 is a good government bill that will eliminate paperwork and bureaucracy and allow case managers to work with cases to get them off welfare and to work. People who work in the human services field think eliminating the assets test is a good idea. Individuals at this level of poverty do not have savings and portfolios and they are required to go through a lot of paperwork for nothing. The bill will qualify more working Montanans for health care coverage. There may be a reduction in medical bankruptcies and un-reimbursed care. The amendments and the fiscal note will be forthcoming, along with the information from the appropriations subcommittee on whether or not the funding has been identified.

HEARING ON SB 381

Sponsor: **SEN. JOHN COBB, SD 25, Augusta**

Proponents: **Nancy Butler, General Council, State Fund**
Carol Bondy, HHS

Opponents:

Opening Statement by Sponsor:

SEN. JOHN COBB, SD 25, Augusta, introduced SB 381, a bill requiring agencies to develop strategic plans and performance based measures and providing the requirements that these performance measures be provided to the legislature and interim committees. He stated that SB 381 is a good government bill. The legislature is always involved in balancing the budget, but has a hard time looking at the base or seeing where agencies are

going. Many agencies are developing strategic plans and performance measures. The legislature does not necessarily see those plans in the budget process. There is no input from the legislature or the public in developing these plans. Montana is way behind most states in performance based budgeting. **SEN. COBB** said that **Carol Bondy** has been active in pushing agencies towards performance based budgeting. **Mr. James Pellegrini, Legislative Auditor's Office**, researched how other states get their legislatures to use performance based measures. When legislators are working on the budget, it is hard to tie performance measures to the new proposals. They are worried about ending fund balance. The goals are not often tied to the base being spent. New proposals are considered, the budget is balanced, and legislators go home. What works in other states is to require specific performance based budgeting for agencies and have agencies present their plans to the interim committees. The interim committees then have a chance to look at the most important performance based measures and have input. Section 1 of the bill deals with definitions. "Strategic plan" will be amended to be a three-year plan. Legislative intent is defined. The bill tries to get the legislature involved in a way that works. The base is so large now, that the legislature needs to look at goals.

Proponents' Testimony:

Nancy Butler, General Council, State Fund, strongly supports strategic business planning. State Fund has been developing a strategic business plan annually since 1994 to support their business as a workers' compensation insurer. It helps them meet their financial goals and customers' needs. Because there is a separate statute for strategic business planning for the State Fund, there are some concerns about meshing the current law with SB 381. The bill calls for a five-year document in even numbered years. State Fund is on an annual basis. On page 2 line 27 the bill says the "committee shall determine various impacts of the planning on the agencies". State Fund's board of directors is required by law to perform those essential functions annually. Better language might be that the committee "provide input" on those items rather than "determine" those items.

Carol Bondy, HHS, (speaking as private citizen) has been helping agencies learn about strategic planning and performance measurement and reinventing government for the last eight years with the idea of having Montana prepared for the time when those things become a requirement of state government. There are two very important purposes for developing strategic plans and performance measures and the resulting performance data. The first purpose is for accountability to citizens, the executive

branch and to the legislature. The second reason is to improve government services. *Governing Magazine* just came out with its 2001 issue grading the states. Strategic plans and performance measures are one of five indicators for the health of state government. Montana received a C for managing for results. Montana gets credit for the fact that it has a good, nationally recognized performance auditing group, but should be further along in strategic planning and performance measurement. In the future, the governmental accounting standards board is going to decide whether performance measurement and reporting performance to the public is a requirement for generally accepted accounting principles. Montana, by statute, must meet generally accepting accounting principles. SB 381 is a way to make agencies focus more attention on goals, objectives and performance measures in the budget and on the state government website. There needs to be discussion of the validity of the performance measures during the interim.

{Tape : 2; Side : A}

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SEN. TOM BECK asked if it will take more FTE to comply with the performance standards and if so if it will save FTE in the long run. **SEN. COBB** said it should not cost the agencies any more FTE, but there is a fiscal note in progress. There is language on page 2 line 27 says the "committee shall determine". That need to be changed to "may determine," otherwise it will affect the legislative budget. The interim committee needs to have an option. The agencies are starting to do these measures and it is not costing them anything more to do it. They just rearrange their data.

SEN. BEA MCCARTHY asked if **SEN. COBB** had considered the State Fund suggested amendments. **SEN. COBB** said he would work on the amendments if the bill is going to pass.

Closing by Sponsor:

SEN. COBB said that the issue is if the legislature wants to get involved in how to set the performance goals and review them. The interim committees are the best places to do that. In human services, when the agencies set performance goals and had measurements, they came within budget. The bill will help agencies keep within their budgets.

EXECUTIVE ACTION ON SB 191

SEN. CHRISTIAENS asked how the bill affects the Department of Justice (DOJ) budget. The bill generates \$210,000 for the general fund. It doesn't answer the fact that the subcommittee removed the required funds. **SEN. DePRATU** said the \$210,000 would go into the general fund and would have to be allocated out of there. It is a revenue enhancer for the general fund. **SEN. CHRISTIAENS** said his issue is unfunded mandates. Full House Appropriations will possibly add the money into DOJ to do what they are mandated to do with this bill. **SEN. DePRATU** agreed that could be taken care of on the house side, but if SB 191 passes, the subject will not have to come up again. Otherwise, the programming costs will have to continually be done with each bill for specialty license plates.

SEN. WATERMAN asked if **SEN. DePRATU** would be opposed to an amendment with a contingency clause. The bill would only be effective if the funding is included in the DOJ budget. She said contingency clauses have been used on bills in past sessions. **SEN. DePRATU** said he would prefer not to put the bill through with a contingency clause. He was confident that the issue could be handled in the house.

SEN. BECK asked for clarification that the money had been taken out in the subcommittee for this bill. **SEN. CHRISTIAENS** said that there were statutes in place that require DOJ to study and come in with a proposal for any and all new plates every four years. The money was taken out because the subcommittee didn't feel it was necessary. The last plates lasted eight years. People testified that there should be special plates honoring the Lewis and Clark Centennial celebration. The subcommittee did not agree and cut the money.

SEN. BECK asked if there was a fiscal note prepared for the bill. **SEN. DePRATU** said that there was a fiscal note prepared. Each time that there has been a special license plate bill in the past, the motor vehicle department of the DOJ has had a fiscal note of about the same amount. The legislature has never yet funded one and the department has always proceeded anyway. **SEN. BECK** asked **SEN. DePRATU** why he did not sign the fiscal note. **SEN. DePRATU** said he did not sign the fiscal note because he did not have a chance to read it, and therefore didn't sign it.

Motion/Vote: **SEN. WATERMAN** moved **SB 191 BE AMENDED TO ADD CONTINGENCY LANGUAGE THAT IT IS EFFECTIVE ONLY IF THE \$26,000 IS ADDED TO THE BUDGET**. Motion passed 11-6 with Keenan, Crismore, Wells, Stapleton, Cobb, and Mohl voting no. Proxy vote was carried for Tester.

Motion/Vote: SEN. WATERMAN moved that SB 331 DO PASS AS AMENDED.
Motion carried unanimously.

EXECUTIVE ACTION ON SB 244

Motion: SEN. MCCARTHY moved that SB 244 DO PASS.

Jon Moe, Legislative Fiscal Division, explained an amendment to the bill which deletes the language "non-profit" from the bill.

EXHIBIT (fcs29a02)

Motion/Vote: SEN. BECK moved that AMENDMENT TO SB 244 BE ADOPTED.
Motion carried unanimously.

SEN. CHRISTIAENS said his understanding was that the bill would add a criteria which would become number eight on the list and have 400 points. He wondered if a local government entity that that came in with an affordable housing project would get the 400 points. It was not clear whether the housing project would be considered an urgent health and safety problem, which would move them to the very top of the list. The project would not only have the 400 points, but would also have the 1000 points which would give them the top priority. **Mr. Moe** said the criteria would be independent of each other. There could be an infrastructure project related to a housing project that could be scored on the health and safety highest priority and may get the maximum or some share of those points. The fact that it got scored that way indicates that it was a health and safety issue, not that it was a housing project. A project may get points for the fact that they are a housing project, but the health and safety issue does not become part of that scoring. Its almost a yes or no, but they do have various levels of scoring. **SEN. CHRISTIAENS** said he asked the question because of his concern that safety drinking water standard projects would be knocked out to build a housing project. **SEN. BECK** thought if there was a serious safety problem drinking water in a municipal system, that would probably come in and register as 1000 points. With a housing project, the infrastructure for the project would not be considered an urgent problem. The scoring would probably be 400 points. He thought a housing problem would seldom score above a health and safety project. It was his understanding that the housing went in at 400 points and that public support dropped to 300 points. Housing became no. 7 and public support was no. 8. In scoring the TSEP grants in long range building, it would be those with sewer backup problems or environmental problems that would get a higher score rather than new housing project.

Mr. Moe explained an option for an amendment that inserted language following the word "families". He stated that the

department felt the amendment would probably "muddy the waters".

EXHIBIT(fcs29a03)

SEN. WATERMAN agreed with the department that the optional amendment would muddy the waters. **SEN. ROYAL JOHNSON** asked where housing was an eligible project. He thought the bill talked about infrastructure for housing, not housing itself. He favored adding the language "eligible project types". **CHAIRMAN KEENAN** said that the bill concerns infrastructure for housing. Affordable housing would fit in between 6 and 7 on the bottom list. Housing would get 400 points and public support would get 300 points. **SEN. JERGESON** said there is a cumulative score involved. He did not see a potential for harm.

Vote: Motion that **SB 244 DO PASS AS AMENDED** carried 15-2 with Cobb and Wells voting no.

ADJOURNMENT

Adjournment: 6:36 P.M.

SEN. BOB KEENAN, Chairman

PRUDENCE GILDROY, Secretary

BK/PG

EXHIBIT (fcs29aad)